

SENATE BILL 5835

A PERMANENT PLAN FOR HOMEOWNER TAX RELIEF

Q. How does the Republican plan for homeowner tax relief work?

A. This bill has two major elements. First, it reduces the growth of property taxes to the rate of inflation. Second, it cushions the shock homeowners experience when values rise sharply by providing a phase-in period for assessed valuations if they go up more than 15 percent in a single year.

Q. Why don't you support the Democrats' tax-credit plan?

A. We introduced a plan in 1996 similar to the Democrats' tax-credit scheme. Upon further study, we realized that the rapid growth in property taxes would quickly eliminate any short-term benefits homeowners would receive from such a plan. After only three years, our plan will give back more to homeowners than the tax-credit scheme currently under consideration. The difference is dramatic in the 10th year and, over the life of a 30-year mortgage, the Republican plan will provide nearly \$16,000 in tax relief to the owner of a median-priced home.

Q. Isn't this plan a boon to business and wealthy homeowners at the expense of middle-income homeowners?

A. The characterization of our plan as a giveaway to business and the rich at the expense of working Washington families is a politically motivated attempt to incite class warfare. And the claims are false. Sixty-five percent of the tax relief provided Under SB 5835 goes to homeowners. Most of that tax relief applies to mid-range homes owned by middle-income property owners. Property owners with expensive homes also will receive relief, but all homeowners will get relief proportionate to the taxes they pay. Our system of property taxation is based on the constitution's uniformity clause, which has effectively guaranteed fairness among all property owners.

Q. Why include commercial property, when it's homeowners who need relief?

A. Proponents of a "split roll" don't seem to understand that farmers, owners of small shops and stores, ranchers and others frequently live on property that is considered commercial property. Without relief for owners of rental property, renters would be subject to rent increases fueled by unchecked property tax growth. These taxpayers need property-tax relief, too. If we pass a constitutional amendment that allows a split roll, we will throw the door open to unpredictable tax changes in the future that favor the interests of one property owner over another.

Q. Why include property taxes collected by local government in your plan?

A. Without relief from the combined growth in city, county and state property taxes, homeowner savings would be eaten up overnight by property tax increases unaffected by the limit. SB 5835 provides relief from all non-voter approved property taxes. Without including all of these tax sources, any relief we provide will disappear as jurisdictions that are not restricted increase their taxes above the rate of inflation. In recent history, the annual growth in these taxes has been an

average of 8 percent while inflation has been only about 3 percent.

Q. But won't this hurt local governments' ability to fund necessary services?

A. No. SB 5835 does not eliminate taxing authority for local government. If they need more revenue for essential services, the local legislative body may vote to increase taxes or place a ballot measure before the voters who may approve it with a simple majority. This legislation simply requires them to hold their non-voter approved increases to 6 percent or inflation, whichever is less.

Q. Why do homeowners need a cushion from sharp rises in property values?

A. Homeowners are particularly susceptible to radical jumps in property values followed by hefty tax increases. In the early 90s, many homeowners experienced drastic property tax increases virtually overnight. The permanent property tax relief plan proposed by legislative Republicans flattens the sharp spikes that occur when property values rise quickly by limiting the growth in values to 10 percent in most cases (slightly more if values grow by more than 40 percent in a single year.) This gives homeowners a cushion against economic factors that are beyond their control. It also gives them time to adjust to higher tax payments. When combined with provisions that limit property tax growth to inflation, the result is lower taxes and a more predictable tax system for homeowners.

Q. Isn't there another plan before the Legislature that would give homeowners an immediate tax cut of \$205 per year?

A. No. Gov. Gary Locke reviewed that idea and said the state could not afford it. The governor subsequently proposed his own tax-credit plan that offers homeowners slightly more than \$100 of relief in the near term. The Governor has said the state can afford a smaller tax cut for homeowners in the coming budget period. We agree, and we think Washington homeowners deserve meaningful, long-term property tax relief, not a quick fix that disappears after only a few years. If we don't take action now, property owners will be exposed to unchecked future tax growth that will make it hard for young couples, middle-income working families and seniors to own a home.

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